



State of California
Employment Training Panel

Training Proposal for:
Ampro ADLINK Technology, Inc.

Agreement Type: \$75,000 or Less

Agreement Number: ET09-0255

Panel Meeting of: **October 17, 2008**

ETP Regional Office: **San Francisco Bay Area**

Analyst: A. Nastari

CONTRACTOR:

- Type of Industry: Manufacturing:
Priority Industry: ☒ Yes ☐ No
- Contractor's # of Full-Time Employees:
 - California: 72
 - Worldwide: 600
 - Number to be trained: 57
- Manager/Supervisor: 1%
- Turnover Rate: 26.8%
- Repeat Contractor: ☐ Yes ☒ No
- Substantial Contribution: ☐ Yes ☒ No

CONTRACT:

- Training Project Profile: Priority/Retrainee
- ETP Funding Amount: \$41,040
- In Kind Contribution: \$99,753
- Average Cost per Trainee: \$720
- Post Retention Wage: \$18.00
- Health Benefits: N/A
- Occupations to be Trained: Administrative Staff; Engineers; Managers; Technicians

- Training Menu:

<input checked="" type="checkbox"/> Computer	<input type="checkbox"/> Management
<input type="checkbox"/> Commercial	<input checked="" type="checkbox"/> Business
<input checked="" type="checkbox"/> Cont. Improvement	<input checked="" type="checkbox"/> Other: Manufacturing
- Advanced Technology: ☐ Yes ☒ No
- Range of Hours: 24-60 Weighted Avg: 40
- Multiple Job Numbers: ☐ Yes ☒ No
- County(ies) Served: Santa Clara
- Union Representation: ☐ Yes ☒ No
- Subcontractor: To Be Determined
- Third Party Services: None

INTRODUCTION

Ampro Computers, Inc., founded in San Jose, has been a manufacturer of rugged and industrial computer boards for use in aircraft, trains, ships, and other environments that subject equipment to extended temperature, shock, and vibration. ADLINK Technology, Inc., based in Taiwan, is a manufacturer of embedded computer products for the industries of test and measurement equipment, communications, medical, network security, and transportation industries. In April 2008, Ampro Computers, Inc. was acquired by ADLINK Technology, Inc., forming what is now, AMPRO ADLINK TECHNOLOGY, INC. (AMPRO.) Together, these companies form an original equipment manufacturer of single board computers which are used for industrial applications, serving a global market. The company's products are used in medical instruments, airport baggage screening devices, aircraft and military applications, portable testing and measurement equipment, entertainment and gaming machines, information kiosks, and communications controllers.

This proposal addresses the company's need to assist with the processes of integrating products, systems, and processes. AMPRO must create a workforce that brings cross-functional teams together to support the company's growth and expansion into a new and broader range of products. Training and cross-training in improved engineering designs, team building, quality improvement, expanded manufacturing processes, customer service, sales, and marketing skills will compliment and supplement the company's core training efforts. Through the implementation of a new enterprise resource planning system, workers will have the capability to communicate throughout its various departments.

Waiver Request to High Turnover

The ETP program is designed to fund training for stable, secure jobs. Thus, the employer's turnover rate cannot exceed 20% annually for the facility where training is requested. But the Panel may accept a higher turnover rate if the employer provides evidence that the proposed training will significantly decrease the turnover, or if the employer experienced a recent significant reduction in force, or if industry data supports a higher turnover rate. (Title 22, California Code of Regulations, Section 4417(a).)

Company representatives report that in the 2006 and 2007 calendar years, the turnover rate has exceeded ETP's turnover requirement of 20%. In 2006, AMPRO's turnover rate was 24.3% and, in 2007, the rate was 26.8%.

AMPRO attributes these high turnovers to changes in its business initiatives. In early 2006, the company hired 45 employees for an expansion into a new Systems Division, a new manufacturing market area. However, after a short time, AMPRO found that it had been too aggressive in launching its Systems Division. Newly-hired workers had not been properly trained to start the manufacturing process of the Division's product line. The company did not have the resources to implement its new business plan. As AMPRO began to lose revenue, it was decided that the company had to scale back on its new division plans. Therefore, in late 2006 and into 2007, AMPRO laid off workers while also employees left the company.

In addition to the merger with ADLINK Technology (ADLINK), AMPRO has more resources to eventually pick up the Systems business plan again. However, the company must first train and cross-train workers in ADLINK's business systems, products, customer solutions, sales/marketing techniques, and production processes. Once in alignment with the parent company's business plans, AMPRO will be in a better position to move into expanding its business.

The management team is focused on reducing turnover and reports that the ETP-funded training will significantly assist in decreasing its turnover rate.

If the Panel chooses to fund this training despite the company's high turnover rate, it may impose a penalty whereby failure to stay under a maximum rate will result in the loss of the final payment (25% of reimbursable costs). The maximum turnover rate is typically 20%, as measured by turnover during the final 12 months of the ETP Agreement. (Title 22, CCR, Section 4417(a).)

AMPRO is asking ETP to modify the typical maximum turnover rate to 22%, as a trigger for the penalty. Staff recommends that the Panel grant this modification because it will assist the company in supporting its commitment to reducing its turnover. ETP-funded training will provide the company an opportunity to retrain workers, an area which AMPRO has learned is essential when undergoing acquisition by another company, for the implementation of new business plans, and for the retention of a stable workforce.

Frontline Worker

The company uses several job classifications with a "manager" in the title. In fact, based on the nature and scope of the job duties, these employees are not eligible for overtime compensation. Therefore, they meet the Panel's definition of frontline workers. (Title 22, California Code of Regulations, Section 4400(ee).) With this in mind, no more than 1% of the trainee population are managers.

RECOMMENDATION

Staff recommends approval of this proposal with the modified turnover penalty. Funding will assist with Ampro's merger of products, functions, and processes as it expands its frontline workforce to provide high skilled and secure manufacturing jobs in California.